

WAPELLO COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Wapello Community School District in Wapello, Iowa.

The District's revenues and transfers totaled \$8,819,591 for the year ended June 30, 2008, a 0.99% increase from the prior year. Revenues included \$3,350,301 in local tax, charges for service of \$638,564 operating grants, contributions and restricted interest of \$1,181,531, capital grants, contributions and restricted interest of \$260, unrestricted state grants of \$3,526,565, unrestricted interest of \$81,766 and other general revenues of \$40,704.

Expenses for District operation totaled \$8,085,891, a 1.08% increase from the prior year. Expenses included \$3,467,824 for regular instruction, \$1,057,949 for other instruction and \$906,180 for special instruction.

A copy of the audit report is available for review in the District Secretary's Office, the Office of Auditor of State, and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Net Assets	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	22
Statement of Changes in Fiduciary Net Assets	K	23
Notes to Financial Statements		24-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		35
Notes to Required Supplementary Information - Budgetary Reporting		36
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	38
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	39-41
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	42
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		43-44
Schedule of Findings		45-48

Wapello Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 election)		
Steve Dickey	President	2008
Larry Moser	Vice President	2007
Don Hardin	Board Member	2007
Matt Gish	Board Member	2009
Charles Kerr	Board Member	2009
Board of Education		
(After September 2007 election)		
Steve Dickey	President	2008
Larry Moser	Vice President	2010
Matt Gish	Board Member	2009
Charles Kerr	Board Member	2009
Rod Fisher	Board Member	2010
School Officials		
John M. Weidner, Sr.	Superintendent	2008
Eric Small	District Secretary	2008
Janell Heater	District Treasurer	2008
Roger Huddle	District Attorney	2008
Brian Gruhn	District Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Wapello Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wapello Community School District, Wapello, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wapello Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2009 on our consideration of the Wapello Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

Members American Institute & Iowa Society of Certified Public Accountants

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Wapello Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the one year ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ending June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wapello Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,973,031 in fiscal 2007 to \$6,953,430 in fiscal 2008, while General Fund expenditures increased from \$6,879,463 in fiscal 2007 to \$7,017,395 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$399,091 in fiscal 2007 to a balance of \$335,126 in fiscal 2008, a 16.03% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local sources. The increase in expenditures was primarily due to an increase in negotiated salaries and benefits.
- The District's October 2007 enrollment improved compared to the previous year. The certified enrollment was 829.8, an increase of 0.9 students.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Wapello Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wapello Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Wapello Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Wapello Community School District Annual Financial Report

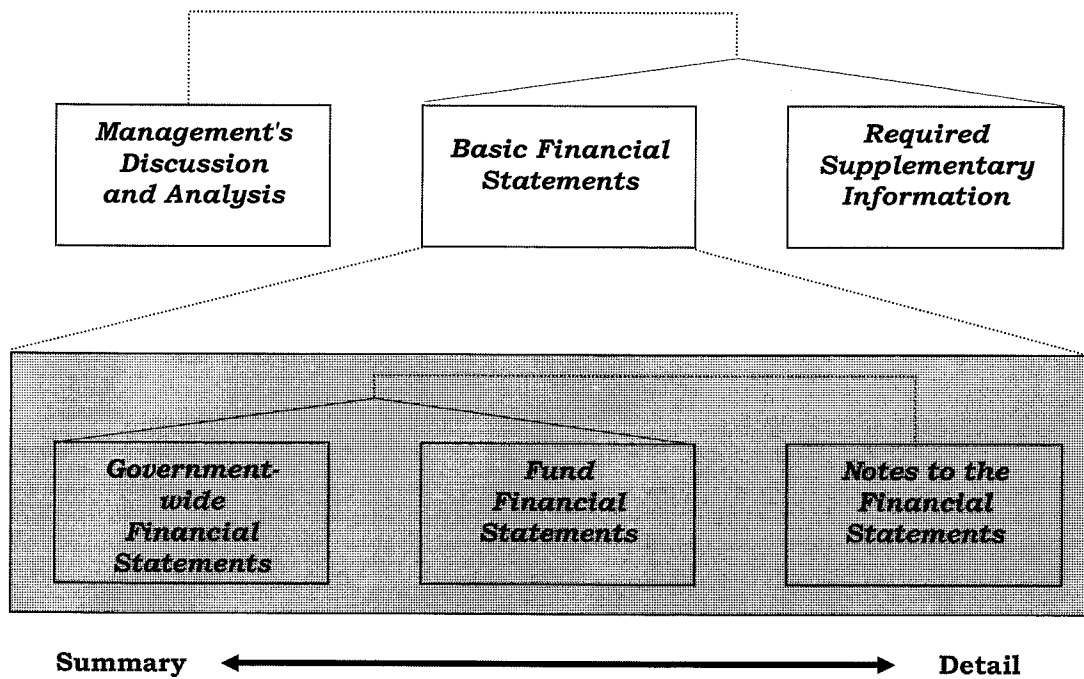


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Day Care Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 6,200,265	6,019,262	29,888	33,487	6,230,153	6,052,749	2.93%
Capital assets	2,880,404	2,583,805	38,830	42,301	2,919,234	2,626,106	11.16%
Total assets	9,080,669	8,603,067	68,718	75,788	9,149,387	8,678,855	5.42%
Long-term obligations	632,101	803,056	0	0	632,101	803,056	-21.29%
Other liabilities	3,825,449	3,920,433	30,836	28,065	3,856,285	3,948,498	-2.34%
Total liabilities	4,457,550	4,723,489	30,836	28,065	4,488,386	4,751,554	-5.54%
Net assets:							
Invested in capital assets, net of related debt	2,248,303	1,780,749	38,830	42,301	2,287,133	1,823,050	25.46%
Restricted	1,890,477	1,699,477	0	0	1,890,477	1,699,477	11.24%
Unrestricted	484,339	399,352	(948)	5,422	483,391	404,774	19.42%
Total net assets	\$ 4,623,119	3,879,578	37,882	47,723	4,661,001	3,927,301	18.68%

The District's combined net assets increased by 18.68%, or \$733,700, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$191,000, or 11.24% over the prior year. The increase was primarily a result of the increase in the Capital Projects fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$78,617, or 19.42%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 and June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 503,059	505,224	135,505	136,560	638,564	641,784	-0.50%
Operating grants and contributions and restricted interest	914,486	798,122	267,045	252,718	1,181,531	1,050,840	12.44%
Capital grants and contributions and restricted interest	260	260	0	0	260	260	0.00%
General revenues:							
Property tax	2,642,414	2,763,721	0	0	2,642,414	2,763,721	-4.39%
Income surtax	240,234	168,128	0	0	240,234	168,128	42.89%
Local option sales and services tax	467,653	497,012	0	0	467,653	497,012	-5.91%
Unrestricted state grants	3,526,565	3,504,479	0	0	3,526,565	3,504,479	0.63%
Unrestricted investment earnings	81,766	58,800	0	0	81,766	58,800	39.06%
Other general revenue	40,704	54,889	0	0	40,704	54,889	-25.84%
Transfers	(100)	(6,562)	0	0	(100)	(6,562)	98.48%
Total revenues, net transfers	8,417,041	8,344,073	402,550	389,278	8,819,591	8,733,351	0.99%
Program expenses:							
Governmental activities:							
Instructional	5,374,860	5,332,860	57,093	61,136	5,431,953	5,393,996	0.70%
Support services	1,800,866	1,829,547	0	0	1,800,866	1,829,547	-1.57%
Non-instructional programs	0	0	355,298	349,021	355,298	349,021	1.80%
Other expenses	497,774	426,664	0	0	497,774	426,664	16.67%
Total expenses	7,673,500	7,589,071	412,391	410,157	8,085,891	7,999,228	1.08%
Changes in net assets	743,541	755,002	(9,841)	(20,879)	733,700	734,123	0.06%
Beginning net assets	3,879,578	3,124,576	47,723	68,602	3,927,301	3,193,178	22.99%
Ending net assets	\$ 4,623,119	3,879,578	37,882	47,723	4,661,001	3,927,301	18.68%

In fiscal 2008, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 81.70% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues and transfers were approximately \$8.82 million of which \$8.42 million was for governmental activities and approximately \$0.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.99% increase in revenues, net transfers and a 1.08% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits, as well as increases in utilities and transportation costs.

Governmental Activities

Revenues, net transfers for governmental activities were \$8,417,041 and expenses were \$7,673,500.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 5,374,860	5,332,860	0.79%	4,232,815	4,300,522	-1.57%
Support services	1,800,866	1,829,547	-1.57%	1,800,866	1,829,547	-1.57%
Other expenses	497,774	426,664	16.67%	222,014	155,396	42.87%
Totals	<u>\$ 7,673,500</u>	<u>7,589,071</u>	<u>1.11%</u>	<u>6,255,695</u>	<u>6,285,465</u>	<u>-0.47%</u>

- The cost financed by users of the District's programs was \$503,059.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$914,746.
- The net cost of governmental activities was financed with \$2,642,414 in property tax, \$240,234 in income surtax, \$467,653 in local option sales and services tax, \$3,526,565 in unrestricted state grants, \$81,766 in interest income and \$40,704 in other general revenue.

Business-Type Activities

Revenues of the District's business-type activities were \$402,550 and expenses were \$412,391. The District's business-type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Wapello Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,153,628, above last year's ending fund balances of a \$2,069,288. This primarily resulted from an increase in the Capital Projects fund balance.

Governmental Fund Highlights

- The District's decrease in General Fund financial position from \$399,091 to \$335,126 is the product of many factors. A decrease in total revenues while total expenditures increased during the year caused the General Fund balance to decrease by \$63,965.
- The Capital Projects Fund balance increased from \$1,213,857 in fiscal 2007 to \$1,367,389 in fiscal 2008. Revenues exceeded expenditures causing an increase in the Capital Projects Fund balance of \$153,532.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$74,049 at June 30, 2007 to \$65,636 at June 30, 2008, representing a decrease of 11.36%. The Day Care Fund net assets decreased from a deficit \$26,326 at June 30, 2007 to a deficit \$27,754 at June 30, 2008, representing a decrease of 5.42%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$57,678 less than budgeted revenues, a variance of 0.66%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$2.92 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$150,009.

The original cost of the District's capital assets was \$6,382,744. Governmental funds account for \$6,295,316 with the remainder of \$87,428 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$200,347 at June 30, 2008, compared to \$0 reported at June 30, 2007. This increase resulted from the work on the renovation of the auditorium.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 35,000	35,000	0	0	35,000	35,000	0.00%
Construction in progress	200,347	0	0	0	200,347	0	100.00%
Buildings	1,877,885	1,930,250	0	0	1,877,885	1,930,250	-2.71%
Land improvements	327,728	328,436	0	0	327,728	328,436	-0.22%
Machinery and equipment	439,444	290,119	38,830	42,301	478,274	332,420	43.88%
Total	\$ 2,880,404	2,583,805	38,830	42,301	2,919,234	2,626,106	11.16%

Long-Term Debt

At June 30, 2008, the District had \$632,101 in general and other long-term debt outstanding. This represents a decrease of 21.29% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$490,000 at June 30, 2008.

The District had total outstanding Loans payable from the General and Special Revenue, Physical Plant and Equipment Levy Funds of \$99,015 at June 30, 2008.

The District had total outstanding Copier Lease payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$43,086 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General Obligation Bonds	\$ 490,000	635,000	-22.83%
Loans	99,015	124,202	-20.28%
Computer Lease	0	43,854	-100.00%
Copier Lease	43,086	0	100.00%
Totals	\$ 632,101	803,056	-21.29%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Eric Small, Board Secretary, Wapello Community School District, 445 North Cedar Street, Wapello, Iowa, 52653.

BASIC FINANCIAL STATEMENTS

WAPELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 620,012	0	620,012
Other	2,144,464	0	2,144,464
Receivables:			
Property tax:			
Delinquent	39,451	0	39,451
Succeeding year	2,724,730	0	2,724,730
Income surtax	227,751	0	227,751
Accounts	9,839	19,566	29,405
Accrued ISCAP interest(Note 4)	235	0	235
Due from other governments	433,783	0	433,783
Inventories	0	10,322	10,322
Capital assets, net of accumulated depreciation(Note 5)	2,880,404	38,830	2,919,234
TOTAL ASSETS	9,080,669	68,718	9,149,387
LIABILITIES			
Excess of warrants issued over bank balance	0	20,063	20,063
Accounts payable	468,428	0	468,428
Salaries and benefits payable	0	6,196	6,196
Accrued interest payable	6,563	0	6,563
ISCAP warrants payable(Note 4)	615,000	0	615,000
ISCAP interest payable(Note 4)	181	0	181
ISCAP amortized premium	10,547	0	10,547
Deferred revenue:			
Succeeding year property tax	2,724,730	0	2,724,730
Other	0	3,838	3,838
Unearned revenue	0	739	739
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	155,000	0	155,000
Loans payable	14,942	0	14,942
Copier lease payable	8,041	0	8,041
Portion due after one year:			
General obligation bonds payable	335,000	0	335,000
Loans payable	84,073	0	84,073
Copier lease payable	35,045	0	35,045
TOTAL LIABILITIES	4,457,550	30,836	4,488,386
NET ASSETS			
Invested in capital assets, net of related debt	2,248,303	38,830	2,287,133
Restricted for:			
Debt service	95,717	0	95,717
Talented and gifted	610	0	610
Beginning teacher mentoring program	1,833	0	1,833
Salary improvement program	20	0	20
Additional teacher contract day	196	0	196
Professional development	11,248	0	11,248
Market factor	5,938	0	5,938
Market factor incentives	5,398	0	5,398
Phase I	9,560	0	9,560
Phase II	1,512	0	1,512
Early intervention	28,020	0	28,020
Empowerment	7,640	0	7,640
Capital projects	1,367,389	0	1,367,389
Management levy	100,399	0	100,399
Physical plant and equipment levy	159,261	0	159,261
Other special revenue purposes	95,736	0	95,736
Unrestricted	484,339	(948)	483,391
TOTAL NET ASSETS	\$ 4,623,119	37,882	4,661,001

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 3,410,731	176,559	592,977	260	(2,640,935)	0
Special instruction	906,180	18,753	45,749	0	(841,678)	0
Other instruction	1,057,949	307,747	0	0	(750,202)	0
	5,374,860	503,059	638,726	260	(4,232,815)	0
Support services:						
Student services	117,735	0	0	0	(117,735)	0
Instructional staff services	66,246	0	0	0	(66,246)	0
Administration services	646,418	0	0	0	(646,418)	0
Operation and maintenance of plant services	644,869	0	0	0	(644,869)	0
Transportation services	325,598	0	0	0	(325,598)	0
	1,800,866	0	0	0	(1,800,866)	0
Other expenditures:						
Facilities acquisitions	134,059	0	0	0	(134,059)	0
Long-term debt:						
Interest and fiscal charges	10,580	0	0	0	(10,580)	0
AEA flowthrough	275,760	0	275,760	0	0	0
Depreciation(unallocated)*	77,375	0	0	0	(77,375)	0
	497,774	0	275,760	0	(222,014)	0
Total governmental activities	7,673,500	503,059	914,486	260	(6,255,695)	0
Business-Type activities:						
Instruction:						
Regular instruction:						
Nutrition services	162	0	0	0	0	(162)
Day care services	56,931	0	58,767	0	0	1,836
	57,093	0	58,767	0	0	1,674
Non-instructional programs:						
Nutrition services	352,034	135,505	208,278	0	0	(8,251)
Day care services	3,264	0	0	0	0	(3,264)
	355,298	135,505	208,278	0	0	(11,515)
Total business-type activities	412,391	135,505	267,045	0	0	(9,841)
Total	\$ 8,085,891	638,564	1,181,531	260	(6,255,695)	(9,841)
General Revenues and Transfers:						
General Revenues:						
Local tax for:						
General purposes				\$ 2,272,485	0	2,272,485
Capital outlay				164,100	0	164,100
Debt service				205,829	0	205,829
Income surtax				240,234	0	240,234
Local option sales and services tax				467,653	0	467,653
Unrestricted state grants				3,526,565	0	3,526,565
Unrestricted investment earnings				81,766	0	81,766
Other general revenue				40,704	0	40,704
Transfers				(100)	0	(100)
Total general revenues and transfers				6,999,236	0	6,999,236
Changes in net assets				743,541	(9,841)	733,700
Net assets beginning of year				3,879,578	47,723	3,927,301
Net assets end of year				\$ 4,623,119	37,882	4,661,001

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 620,012	0	0	620,012
Other	614,387	1,085,941	444,136	2,144,464
Receivables:				
Property tax:				
Delinquent	32,348	0	7,103	39,451
Succeeding year	2,253,864	0	470,866	2,724,730
Income surtax	227,751	0	0	227,751
Accounts	9,839	0	0	9,839
Accrued ISCAP interest(Note 4)	235	0	0	235
Due from other governments	152,335	281,448	0	433,783
TOTAL ASSETS	\$ 3,910,771	1,367,389	922,105	6,200,265
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 468,302	0	126	468,428
ISCAP warrants payable(Note 4)	615,000	0	0	615,000
ISCAP interest payable(Note 4)	181	0	0	181
ISCAP amortized premium	10,547	0	0	10,547
Deferred revenue:				
Succeeding year property tax	2,253,864	0	470,866	2,724,730
Income surtax	227,751	0	0	227,751
Total liabilities	3,575,645	0	470,992	4,046,637
Fund balances:				
Reserved for:				
Debt service	0	0	95,717	95,717
Talented and gifted	610	0	0	610
Beginning teacher mentoring program	1,833	0	0	1,833
Salary improvement program	20	0	0	20
Additional teacher contract day	196	0	0	196
Professional development	11,248	0	0	11,248
Market factor	5,938	0	0	5,938
Market factor incentives	5,398	0	0	5,398
Phase I	9,560	0	0	9,560
Phase II	1,512	0	0	1,512
Early intervention	28,020	0	0	28,020
Empowerment	7,640	0	0	7,640
Unreserved:				
Undesignated:				
General	263,151	0	0	263,151
Capital projects	0	1,367,389	0	1,367,389
Management levy	0	0	100,399	100,399
Physical plant and equipment levy	0	0	159,261	159,261
Other special revenue purposes	0	0	95,736	95,736
Total fund balances	335,126	1,367,389	451,113	2,153,628
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,910,771	1,367,389	922,105	6,200,265

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 15) \$ 2,153,628

*Amounts reported for governmental activities in the
 statement of net assets are different because:*

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported as
 assets in in the governmental funds. 2,880,404

Accounts receivable income surtax, are not yet available
 to finance expenditures of the current period. 227,751

Accrued interest payable on long-term liabilities is not due
 and payable in the current period and, therefore, is not
 reported as a liability in the governmental funds. (6,563)

Long-term liabilities, including general obligation bonds,
 loans payable and copier lease payable, are not due and
 payable in the current period and, therefore, are not
 reported as liabilities in the governmental funds. (632,101)

Net assets of governmental activites (page 13) \$ 4,623,119

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,245,120	467,653	480,124	3,192,897
Tuition	171,800	0	0	171,800
Other	99,382	36,747	317,600	453,729
State sources	4,215,084	0	3,923	4,219,007
Federal sources	222,044	0	260	222,304
Total revenues	6,953,430	504,400	801,907	8,259,737
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	3,339,820	0	167,939	3,507,759
Special instruction	906,180	0	0	906,180
Other instruction	742,221	0	315,728	1,057,949
	4,988,221	0	483,667	5,471,888
Support services:				
Student services	115,344	0	2,391	117,735
Instructional staff services	60,651	0	5,595	66,246
Administration services	658,873	0	0	658,873
Operation and maintenance of plant services	577,960	0	72,509	650,469
Transportation services	340,586	0	19,254	359,840
	1,753,414	0	99,749	1,853,163
Other expenditures:				
Facilities acquisitions	0	350,868	7,840	358,708
Long-term debt:				
Principal	0	0	218,886	218,886
Interest and fiscal charges	0	0	44,823	44,823
AEA flowthrough	275,760	0	0	275,760
	275,760	350,868	271,549	898,177
Total expenditures	7,017,395	350,868	854,965	8,223,228
Excess(deficiency) of revenues over(under) expenditures	(63,965)	153,532	(53,058)	36,509
Other financing sources(uses):				
Transfer in	0	0	94,260	94,260
Transfer out	0	0	(94,360)	(94,360)
Proceeds from capital lease	0	0	47,931	47,931
Total other financing sources(uses)	0	0	47,831	47,831
Net change in fund balances	(63,965)	153,532	(5,227)	84,340
Fund balance beginning of year	399,091	1,213,857	456,340	2,069,288
Fund balance end of year	\$ 335,126	1,367,389	451,113	2,153,628

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 84,340

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year, are as follows:

Expenditures for capital assets	\$ 440,688	
Depreciation expense	(144,089)	296,599

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments and issuances, are as follows:

Issued	\$ (47,931)	
Repaid	218,886	170,955

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

34,243

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

157,404

Changes in net assets of governmental activities (page 14)

\$ 743,541

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	School Nutrition	Day Care	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 21,061	0	21,061
Due from other governments	0	19,566	19,566
Inventories	10,322	0	10,322
Non-current assets:			
Capital assets, net of accumulated depreciation(Note 5)	38,830	0	38,830
TOTAL ASSETS	70,213	19,566	89,779
LIABILITIES			
Excess of warrants issued over bank balance	0	41,124	41,124
Salaries and benefits payable	0	6,196	6,196
Deferred revenue	3,838	0	3,838
Unearned revenue	739	0	739
TOTAL LIABILITIES	4,577	47,320	51,897
NET ASSETS			
Invested in capital assets	38,830	0	38,830
Unrestricted	26,806	(27,754)	(948)
Total net assets	\$ 65,636	(27,754)	37,882

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 135,505	0	135,505
OPERATING EXPENSES:			
Instruction:			
Regular instruction:			
Salaries	0	42,143	42,143
Benefits	0	14,788	14,788
Supplies	162	0	162
	162	56,931	57,093
Non-instructional programs:			
Salaries	149,628	250	149,878
Benefits	20,719	751	21,470
Services	1,442	1,379	2,821
Supplies	174,325	884	175,209
Depreciation	5,920	0	5,920
	352,034	3,264	355,298
TOTAL OPERATING EXPENSES	352,196	60,195	412,391
OPERATING LOSS	(216,691)	(60,195)	(276,886)
NON-OPERATING REVENUES:			
State sources	4,633	58,767	63,400
Federal sources	203,645	0	203,645
TOTAL NON-OPERATING REVENUES	208,278	58,767	267,045
Changes in net assets	(8,413)	(1,428)	(9,841)
Net assets beginning of year	74,049	(26,326)	47,723
Net assets end of year	\$ 65,636	(27,754)	37,882

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 138,343	0	138,343
Cash payments to employees for services	(170,347)	(51,736)	(222,083)
Cash payments to suppliers for goods or services	(154,331)	(2,463)	(156,794)
Net cash used in operating activities	(186,335)	(54,199)	(240,534)
Cash flows from non-capital financing activities:			
State grants received	4,633	39,201	43,834
Federal grants received	181,009	0	181,009
Net cash provided by non-capital financing activities	185,642	39,201	224,843
Cash flows from capital financing activities:			
Acquisitions of assets	(2,449)	0	(2,449)
Net decrease in cash and cash equivalents	(3,142)	(14,998)	(18,140)
Cash and cash equivalents at beginning of year	24,203	(26,126)	(1,923)
Cash and cash equivalents at end of year	\$ 21,061	(41,124)	(20,063)
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (216,691)	(60,195)	(276,886)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	22,636	0	22,636
Depreciation	5,920	0	5,920
Increase in inventories	(1,038)	0	(1,038)
Decrease in accounts payable	0	(200)	(200)
Increase in salaries and benefits payable	0	6,196	6,196
Increase in deferred revenue	3,838	0	3,838
Decrease in unearned revenue	(1,000)	0	(1,000)
Net cash used in operating activities	\$ (186,335)	(54,199)	(240,534)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and investments	\$ 21,061	(41,124)	(20,063)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$22,636.

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

	<u>Private Purpose Trust Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and pooled investments	<u>\$ 16,714</u>	<u>58</u>
LIABILITIES		
Due to other groups	<u>\$ 0</u>	<u>58</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 16,714</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2008

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u> <u>Fund</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 7,541
Deductions:	
Regular instruction:	
Scholarships awarded	9,434
Change in net assets before other financing sources	(1,893)
Other financing sources:	
Transfer in	100
Change in net assets	(1,793)
Net assets beginning of year	18,507
Net assets end of year	\$ 16,714

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Wapello Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Wapello, Iowa, and the predominate agricultural territory in Louisa and Des Moines Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Wapello Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Wapello Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Des Moines and Louisa Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise funds, School Nutrition Fund and Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the

government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

Diversified Portfolio

<u>Amortized Cost</u>
<u>\$ 1,200,969</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	\$ 84,924
Physical Plant and Equipment Levy	Student Activity	9,336
Private Purpose Trust - Scholarship	Student Activity	<u>100</u>
Total		<u>\$ 94,360</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2008-09A	6/26/08	6/25/09	\$ 620,012	235	615,000	181

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity in the General Fund was noted for the year ended June 30, 2008.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 35,000	0	0	35,000
Construction in progress	0	200,347	0	200,347
Total capital assets not being depreciated	35,000	200,347	0	235,347
Capital assets being depreciated:				
Buildings	3,465,881	0	0	3,465,881
Land improvements	471,425	24,302	0	495,727
Machinery and equipment	2,142,866	216,039	260,544	2,098,361
Total capital assets being depreciated	6,080,172	240,341	260,544	6,059,969
Less accumulated depreciation for:				
Buildings	1,535,631	52,365	0	1,587,996
Land improvements	142,989	25,010	0	167,999
Machinery and equipment	1,852,747	66,714	260,544	1,658,917
Total accumulated depreciation	3,531,367	144,089	260,544	3,414,912
Total capital assets being depreciated, net	2,548,805	96,252	0	2,645,057
Governmental activities capital assets, net	\$ 2,583,805	296,599	0	2,880,404
Business-type activities:				
Machinery and equipment	\$ 84,979	2,449	0	87,428
Less accumulated depreciation	42,678	5,920	0	48,598
Business-type activities capital assets, net	\$ 42,301	(3,471)	0	38,830

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 3,174
Support services:	
Transportation	63,540
	<u>66,714</u>
Unallocated depreciation	<u>77,375</u>
Total governmental activities depreciation expense	<u>\$ 144,089</u>
Business-type activities:	
Food services	<u>\$ 5,920</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 635,000	0	145,000	490,000	155,000
Loans	124,202	0	25,187	99,015	14,942
Computer Lease	43,854	0	43,854	0	0
Copier Lease	0	47,931	4,845	43,086	8,041
Total	<u>\$ 803,056</u>	<u>47,931</u>	<u>218,886</u>	<u>632,101</u>	<u>177,983</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year		Bond Issue of February 1, 1996			
Ending June 30,	Interest Rates	Principal	Interest	Total	
2009	5.20 %	\$ 155,000	25,990	180,990	
2010	5.30	160,000	17,930	177,930	
2011	5.40	175,000	9,450	184,450	
Total		<u>\$ 490,000</u>	<u>53,370</u>	<u>543,370</u>	

Loans Payable

On July 31, 2003, the District entered into a loan agreement with State Bank of Wapello for \$153,829 for paving the parking lot. The loan bears interest at 4.00% and requires ten annual payments of \$18,903 beginning July 31, 2004. The loan is scheduled to be repaid as follows:

Year Ending June 30,	Loan of July 31, 2003			
	Interest Rates	Principal	Interest	Total
2009	4.00 % \$	14,942	3,961	18,903
2010	4.00	15,539	3,364	18,903
2011	4.00	16,161	2,742	18,903
2012	4.00	16,807	2,096	18,903
2013	4.00	17,480	1,423	18,903
2014	4.00	18,164	739	18,903
Total		\$ 99,093	14,325	113,418

Copier Lease Payable

On October 4, 2007, the District entered into a lease agreement with Bank of America for copiers. The lease is scheduled to be repaid as follows:

Year Ending June 30,	Lease of October 4, 2007			
	Interest Rates	Principal	Interest	Total
2009	12.125 % \$	8,041	4,797	12,838
2010	12.125	9,075	3,763	12,838
2011	12.125	10,241	2,597	12,838
2012	12.125	11,556	1,282	12,838
2013	12.125	4,173	105	4,278
Total		\$ 43,086	12,544	55,630

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$260,941, \$211,463 and \$212,289 respectively, equal to the required contributions for each year.

(8) Risk Management

Wapello Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$275,760 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Net Assets

The Enterprise - Day Care Fund had deficit net assets of \$27,754 at June 30, 2008.

(11) Construction Commitment

The District has entered into various contracts totaling \$844,551 for the auditorium renovation and sound system project. As of June 30, 2008, costs of \$200,347 had been incurred against the contracts. The balance of \$644,204 remaining at June 30, 2008 will be paid as work on the projects progress. The total cost of the auditorium renovation and sound system project will be added to the District's fixed asset listing upon completion.

REQUIRED SUPPLEMENTARY INFORMATION

WAPELLO COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,818,426	135,505	3,953,931	4,001,509	4,001,509	(47,578)
State sources	4,219,007	63,400	4,282,407	4,325,456	4,325,456	(43,049)
Federal sources	222,304	203,645	425,949	393,000	393,000	32,949
Total revenues	8,259,737	402,550	8,662,287	8,719,965	8,719,965	(57,678)
Expenditures:						
Instruction	5,471,888	57,093	5,528,981	5,955,549	5,955,549	426,568
Support services	1,853,163	0	1,853,163	1,931,400	1,931,400	78,237
Non-instructional programs	0	355,298	355,298	360,000	360,000	4,702
Other expenditures	898,177	0	898,177	1,598,769	1,598,769	700,592
Total expenditures	8,223,228	412,391	8,635,619	9,845,718	9,845,718	1,210,099
Excess(deficiency) of revenues over(under) expenditures	36,509	(9,841)	26,668	(1,125,753)	(1,125,753)	1,152,421
Other financing sources, net	47,831	0	47,831	40,000	40,000	7,831
Excess(deficiency) of revenues and other financing sources over(under) expenditures	84,340	(9,841)	74,499	(1,085,753)	(1,085,753)	1,160,252
Balance beginning of year	2,069,288	47,723	2,117,011	1,948,813	1,948,813	168,198
Balance end of year	\$ 2,153,628	37,882	2,191,510	863,060	863,060	1,328,450

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

WAPELLO COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds					Total
	Manage-	Student	Physical	Total		Other
	ment	Activity	Plant and	Special	Debt	Nonmajor
	Levy		Equipment	Revenue	Service	Governmental
			Levy	Funds		Funds
ASSETS						
Cash and pooled investments	\$ 98,751	95,736	156,990	351,477	92,659	444,136
Receivables:						
Property tax:						
Delinquent	1,648	0	2,397	4,045	3,058	7,103
Succeeding year	120,000	0	169,276	289,276	181,590	470,866
TOTAL ASSETS	\$ 220,399	95,736	328,663	644,798	277,307	922,105
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	0	126	126	0	126
Deferred revenue:						
Succeeding year property tax	120,000	0	169,276	289,276	181,590	470,866
	120,000	0	169,402	289,402	181,590	470,992
Fund balances:						
Reserved for:						
Debt service	0	0	0	0	95,717	95,717
Unreserved:						
Undesignated	100,399	95,736	159,261	355,396	0	355,396
Total fund balances	100,399	95,736	159,261	355,396	95,717	451,113
TOTAL LIABILITIES AND FUND BALANCES	\$ 220,399	95,736	328,663	644,798	277,307	922,105

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds				Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 110,195	0	164,100	274,295	205,829
Other	8,751	308,405	444	317,600	0
State sources	81	0	120	201	3,722
Federal sources	0	0	260	260	0
TOTAL REVENUES	119,027	308,405	164,924	592,356	209,551
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	23,930	0	144,009	167,939	0
Other instruction	0	315,728	0	315,728	0
Support services:					
Student services	2,391	0	0	2,391	0
Instructional staff services	5,595	0	0	5,595	0
Operation and maintenance of plant services	44,207	0	28,302	72,509	0
Student transportation	19,254	0	0	19,254	0
Other expenditures:					
Facilities acquisition	0	0	7,840	7,840	0
Long-term debt:					
Principal	0	0	0	0	218,886
Interest and fiscal charges	0	0	0	0	44,823
TOTAL EXPENDITURES	95,377	315,728	180,151	591,256	263,709
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	23,650	(7,323)	(15,227)	1,100	(54,158)
OTHER FINANCING SOURCES (USES):					
Transfer in	0	0	9,336	9,336	84,924
Transfer out	0	(9,436)	(84,924)	(94,360)	0
Proceeds from capital lease	0	0	47,931	47,931	0
TOTAL OTHER FINANCING SOURCES (USES)	0	(9,436)	(27,657)	(37,093)	84,924
NET CHANGE IN FUND BALANCES	23,650	(16,759)	(42,884)	(35,993)	30,766
FUND BALANCE BEGINNING OF YEAR	76,749	112,495	202,145	391,389	64,951
FUND BALANCE END OF YEAR	\$ 100,399	95,736	159,261	355,396	95,717

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendt- tures and Interfund Transfers	Intra- fund Transfers	Balance End of Year
<u>Graduating Classes:</u>					
Class of:					
2002	\$ 288	0	0	(288)	0
2003	1,238	0	341	(897)	0
2004	38	0	0	(38)	0
2005	513	0	453	(60)	0
2006	359	0	0	(359)	0
2007	1,068	0	33	(1,035)	0
2008	1,163	154	1,175	0	142
2009	627	2,917	1,745	0	1,799
2010	841	0	13	0	828
2011	846	0	13	0	833
2012	96	2,360	1,436	0	1,020
	7,077	5,431	5,209	(2,677)	4,622
<u>Clubs and Organizations:</u>					
FFA	2,366	34,969	37,550	340	125
FFA Farmland Project	15,741	0	854	0	14,887
FFA Greenhouse	3,331	3,955	3,951	0	3,335
FFA Software	1,551	756	606	0	1,701
FCCLA	887	666	952	0	601
FCCLA Grant	0	500	419	0	81
Cheerleading - Football/Basketball	176	2,844	3,148	1,229	1,101
Cheerleading - Wrestling	158	1,549	1,750	0	(43)
Trees Forever	2,100	0	2,100	0	0
Aztec Club	58	0	0	(58)	0
Key Club	819	335	374	0	780
Poms	43	4,221	3,318	(1,229)	(283)
FFA Health Machine	1,138	3,498	2,125	(340)	2,171
	28,368	53,293	57,147	(58)	24,456
<u>Athletics:</u>					
Athletics	1,092	9,032	7,534	4,405	6,995
Wrestling / Resale	0	4,278	4,088	276	466
Wrestling Gates	497	6,671	5,908	(332)	928
Boys Basketball / Resale	0	6,679	3,872	(1,196)	1,611
Boys Basketball Gates	2,821	7,329	8,365	88	1,873
Boys Basketball Fundraiser	350	1,903	2,866	1,284	671
Boys Basketball Youth	128	2,469	1,869	0	728
Girls Basketball Gates	8,505	7,030	12,712	0	2,823
Girls Basketball Fundraiser	451	0	0	847	1,298
Volleyball / Resale	0	3,547	650	0	2,897
Volleyball Gates	3,292	10,465	13,409	0	348
Volleyball Fundraiser	1,079	2,835	2,480	0	1,434
Volleyball Youth/Camp	(501)	0	0	0	(501)

WAPELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendt- tures and Interfund Transfers	Intra- fund Transfers	Balance End of Year
<u>Athletics(Continued):</u>					
Cross Country	81	56	681	0	(544)
Baseball / Resale	(2,364)	5,878	992	1,920	4,442
Baseball Gates	(965)	5,350	13,419	1,329	(7,705)
Baseball Fundraiser	4,196	2,845	309	(3,072)	3,660
Softball / Resale	(2,819)	1,104	1,950	839	(2,826)
Softball Gates	(1,455)	6,188	5,168	1,109	674
Softball Fundraiser	1,355	3,183	1,612	(1,948)	978
Boys Track / Resale	1,450	20	0	20	1,490
Boys Track Gates	43	2,241	1,800	0	484
Girls Track / Resale	68	0	0	0	68
Girls Track Gates	41	2,922	2,268	0	695
Football / Resale	0	75	0	0	75
Football Gates	288	13,152	15,642	2,644	442
Football Fundraiser	2,810	2,680	1,116	(2,496)	1,878
Golf / Resale	66	0	180	0	(114)
5/6 Girls Basketball	847	0	0	(847)	0
Jim Short Athletic Memorial	1,550	0	0	(1,550)	0
	22,906	107,932	108,890	3,320	25,268
<u>Academic Clubs:</u>					
Drama Trip	0	6,718	3,387	0	3,331
Drama and Speech	1,141	2,021	2,442	14	734
Drama Gates	1,029	2,984	3,161	0	852
Drama Fundraiser	2,992	902	583	0	3,311
Talented and Gifted	48	97	145	0	0
Vocal	499	11,366	6,602	(378)	4,885
Vocal Uniform	730	0	0	440	1,170
Vocal Trip	6,379	4,040	0	0	10,419
Band	366	1,413	1,176	529	1,132
Band Uniforms	992	0	0	444	1,436
Instrument Repair	21	0	311	290	0
Band - Adventureland	26	1,282	1,308	0	0
Color Guard	4	1,550	1,554	0	0
Art Club	245	47	292	0	0
Yearbook - Odd	(13,946)	5,599	12,435	2,514	(18,268)
Student Senate	407	1,714	1,315	0	806
Industrial Arts	655	0	655	0	0
National Honor Society	369	193	366	0	196
Prom	0	3,436	3,598	162	0
School-To-Work	64	0	0	(64)	0
Peer Mentoring	70	0	0	(70)	0
Photography	283	15	403	105	0
	2,374	43,377	39,733	3,986	10,004

WAPELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendt- tures and Interfund Transfers	Intra- fund Transfers	Balance End of Year
<u>Junior High</u>					
Student Senate	339	741	868	0	212
Language Arts Fines	22	0	0	0	22
	<u>361</u>	<u>741</u>	<u>868</u>	<u>0</u>	<u>234</u>
<u>Elementary</u>					
Elementary	15,282	10,477	9,059	0	16,700
Elem Library	2,602	4,885	7,501	14	0
Elem Playground Equipment	8,816	2,237	6,995	(4,058)	0
Elem Vocal Music	3,553	1,266	1,306	0	3,513
Elem Student Council	356	0	51	0	305
Trace Dossett Reading Garden	290	0	290	0	0
Elementary Pop	2,677	3,246	5,923	0	0
Character Counts Program	186	180	259	0	107
Elem Band	145	0	145	0	0
Pre School Playground Fund	6,887	15,561	26,506	4,058	0
Elem Walks	49	0	41	0	8
First Grade Grant	0	1,500	523	0	977
	<u>40,843</u>	<u>39,352</u>	<u>58,599</u>	<u>14</u>	<u>21,610</u>
<u>Miscellaneous</u>					
Pop Machines	(345)	11,703	11,071	191	478
Milk Shake Machine	191	0	0	(191)	0
Registration	10	39,922	34,914	(5,018)	0
Sandpoint Fund	30	0	0	0	30
Bus Barn Pop	248	70	0	0	318
Wal Mart Foundation	474	0	474	0	0
Student of the Month	570	484	770	192	476
Spanish Trip	227	4,551	4,772	0	6
High School Library	1,064	35	1,382	283	0
Interest Savings	88	12	0	(100)	0
Interest Checking	454	645	631	58	526
School Nurse Fund	7,555	857	704	0	7,708
	<u>10,566</u>	<u>58,279</u>	<u>54,718</u>	<u>(4,585)</u>	<u>9,542</u>
Total	\$ 112,495	308,405	325,164	0	95,736

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$	3,192,897	3,358,514	3,046,344	2,873,859	2,424,992
Tuition		171,800	176,768	215,080	196,802	195,142
Other		453,729	442,145	422,413	424,466	333,130
State sources		4,219,007	4,098,662	3,834,209	3,446,281	3,158,613
Federal sources		222,304	204,199	221,391	193,239	210,696
Total	\$	8,259,737	8,280,288	7,739,437	7,134,647	6,322,573
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$	3,507,759	3,407,171	3,124,319	3,028,768	2,875,548
Special instruction		906,180	870,521	958,535	999,754	863,058
Other instruction		1,057,949	1,024,131	1,035,072	786,460	690,738
Support services:						
Student services		117,735	127,343	117,265	105,746	98,238
Instructional staff services		66,246	76,407	59,603	69,495	103,643
Administration services		658,873	618,373	614,171	611,608	525,707
Operation and maintenance of plant services		650,469	635,163	664,509	459,932	406,687
Transportation services		359,840	345,497	317,789	368,999	314,209
Other expenditures:						
Facilities acquisitions		358,708	46,635	55,207	3,509	186,239
Long-term debt:						
Principal		218,886	159,102	153,158	204,865	129,462
Interest and fiscal charges		44,823	46,490	53,805	61,871	59,824
AEA flow-through		275,760	271,268	248,746	227,703	221,144
Total	\$	8,223,228	7,628,101	7,402,179	6,928,710	6,474,497

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Wapello Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wapello Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 10, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wapello Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Wapello Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wapello Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Wapello Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Wapello Community School District's financial statements that is more than inconsequential will not be prevented or detected by Wapello Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Wapello Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wapello Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Wapello Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Wapello Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wapello Community School District and other parties to whom Wapello Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Wapello Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2009

WAPELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will review its control procedures to obtain the maximum internal control possible with the resources that are available. If changes can be made to create a better internal control environment, those changes will be implemented.

Conclusion - Response accepted.

- I-B-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Donations made to a District should be placed in the most appropriate place based upon the donor request. Target donations are intended for instructional supplies. The most logical place to record the revenue and subsequent purchase of instructional supplies would be the General Fund. Future donations from Target should be recorded in the General Fund for use as determined by the District's Board of Directors.

There is a First Grade Grant run through the Student Activity Fund. This grant is intended for instructional supplies, and therefore would more appropriately be run through the General Fund.

Response - Accounts will be analyzed to determine if there is a more appropriate fund that they should be maintained in.

Conclusion - Response accepted.

- I-C-08 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District will work with teachers and administrators to ensure that grant related expenditures are coded correctly and therefore expended out of the correct account. The District will check with the Uniform Financial Accounting Manual to assure correct account numbers are being used to match expenditures to the grant revenues.

Conclusion - Response accepted.

- I-D-08 Timely Deposits - We noted during our audit that deposits for the School Nutrition fund were collected and deposited the following week. We also noted the District is not using pre-numbered receipts.

Recommendation - All receipts should be deposited when received. The District should review procedures to ensure that the deposits are made timely. Better internal control is achieved when pre-numbered receipts are used and the sequence is monitored. The District should review the receipting process in place.

Response - All money that is collected is now recorded on pre-numbered receipts. Receipts are also being deposited the same day received or the next day if same day deposit is not available.

Conclusion - Response accepted.

WAPELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
John Vandenberg, Teacher Spouse of Susan Vandenberg	Supplies	\$1,284
Eric Small, Board Secretary Sister owns Stitches and Cream	Services	\$756

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse and sister of the employees do not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy which do not allow the owning of stock. The District was given 400 shares of Adams Express stock. The documentation that was with the gift indicates that it is to be used for a memorial writing contest or returned.

Recommendation - The District should contact the heirs of the family that donated the stock to determine if the District can sell the stock and use the proceeds for the memorial writing contest or if the stock should be returned to the family. If the stock is to be sold, the District should record the proceeds in a private purpose non-expendable trust and use the proceeds for the memorial writing contest in accordance with the donor's request.

Response - The District is attempting to reach the heirs of the family that donated the stock to the District to ask what their wishes are with these 400 shares for stock. If they

choose to have it returned, the District will return the shares of stock to the family. If the family chooses to leave it with the school, it will be recorded in a private purpose non-expendable trust.

Conclusion - Response accepted.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-08 Authorized Check Signatures - We noted during our audit, one instance of only one signature on a District's General Fund check.

Recommendation - Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence. The Board should implement procedures so each check is signed appropriately.

Response - The District will double check all checks being sent to ensure that there are two signatures on all checks. The District will also investigate having the signatures printed on the checks using the DataTeam Accounting Software to ensure that all checks have the required signatures.

Conclusion - Response accepted.

II-K-08 Corrective Transfer - We noted during our audit that the District paid \$4,865.78 for bonus sick leave from the Management Fund. This type of expenditure does not appear to be allowable for the Management Fund. Bonus sick leave payments should be paid out of the General Fund.

Recommendation - The District should make a corrective transfer to the General Fund from the Management Fund.

Response - The District will make a corrective transfer from the General Fund to the Management Fund in the amount of \$4,865.78 to correct the error. In the future, bonus sick leave payments will be made from the General Fund.

Conclusion - Response accepted.

II-L-08 Financial Condition - The District had deficit net assets of \$27,754 in the Enterprise - Day Care Fund. We also noted during our audit eight deficit account balances in the Special Revenue, Student Activity Fund totaling \$30,284.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District will continue to monitor these accounts that have deficit balances to eliminate the deficits.

Conclusion - Response accepted.